

Application for Trust Powers

The Commissioner of the Office of Financial and Insurance Services has determined that this application is available for public inspection or copying pursuant to the provisions of the Freedom of Information Act, PA 442 of 1976, MCL 15.231 et seq., and section 2109 of the Michigan Banking Code of 1999, as amended, MCL 487.12109. Accordingly, except as otherwise indicated in this application, the contents of the application shall be disclosed to any person who properly requests an opportunity for inspection, examination, or copying.

1. The application must be submitted to the Office of Financial and Insurance Services (OFIS) either on the attached forms or in a format consistent with the application form. The application must be filed with original signature(s).
2. Complete Remittance Instructions.
3. Full and complete responses to all applicable questions will expedite processing. OFIS shall refuse to accept an incomplete application.
4. Applicant may provide additional information in support of the application as deemed appropriate. However, any such unsolicited information will be accepted for filing with the understanding that it will be made part of the public record.
5. Schedules or inserts may be attached to this application, especially when the space provided is insufficient to answer the question. Attached schedules or inserts are a part of the application and should be on paper of the same size as this page.
6. Applications filed with the Commissioner may be amended in writing. Each amendment must clearly state the specific section, page, and item(s) being amended. Substantive amendments will be formally acknowledged in writing by OFIS.
7. Policies and procedures submitted as part of this application will be accorded confidential treatment.
8. It is suggested that an appropriate application be filed with the appropriate federal agency coinciding with the filing of this application.
9. The Commissioner will render a decision on the application generally within 60 days from date of acceptance, and will notify the designated representative in writing.
10. Questions pertaining to the completion of this application may be directed to the Enterprise Monitoring and Insurance Examination Division at (517) 241-9981.

Completed applications should be mailed to:

**OFFICE OF FINANCIAL AND INSURANCE SERVICES
ATTENTION: ENTERPRISE MONITORING AND
INSURANCE EXAMINATION DIVISION
P.O. BOX 30220
LANSING, MI 48909-7720**

Authorized by PA 276 of 1999, as amended, and PA 354 of 1996, as amended. Required to exercise trust powers.



Michigan Department of Labor & Economic Growth

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Visit OFIS online at: www.michigan.gov/ofis

Phone OFIS toll-free at: 1-877-999-6442

Application for Trust Powers

Name of Applicant		
Street Address		County
City, Village, or Township	State Michigan	Zip Code

Designated Representative Responsible for Responding to Questions relating to this Application

Name	Telephone Number ()	Facsimile Number ()
Street Address		
City, Village, or Township	State	Zip Code

Resolution of the Board of Directors of Applicant

The Board of Directors of the Applicant at a meeting duly called and held _____ adopted the following Resolution:

“BE IT RESOLVED, That the President and _____ is/are hereby authorized and directed to make application to the Commissioner of the Office of Financial and Insurance Services for TRUST POWERS, and to submit in conjunction therewith such information as the Office of Financial and Insurance Services may require;

BE IT FURTHER RESOLVED, That the Federal Deposit Insurance Corporation’s Statement of Principles of Trust Department Management will be adopted prior to the commencement of business and that the exercise of any fiduciary powers granted will be in conformance with such principles, except where they may conflict with any law or regulation;

BE IT FURTHER RESOLVED, That all fees charged by the Office of Financial and Insurance Services regarding this application to exercise trust powers will be paid in accordance with applicable provisions of the law.”

The above Resolution has not been rescinded and has been duly entered in the minute book of the Applicant.

It is understood that if this Application is approved by the Commissioner of the Office of Financial and Insurance Services and by the appropriate federal supervisory authority, the Applicant shall set aside securities of a kind and amount as defined by statute for the protection of the owners of trust funds awaiting investment or other disposition held by the Applicant under a deposit relationship.

Authorized Signature and Title	Date
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General Information

This application for written consent to exercise: (Check One)

- ☐ Full Trust Powers
- ☐ Limited Trust Powers – For banks pursuant to section 4404(2) of the Michigan Banking Code of 1999, as amended and for savings banks pursuant to section 424(2) of the Savings Bank Act of 1996, as amended.

Note: If “Full Trust Powers” is checked and approval is granted, all powers, including those listed below may be exercised.

Initially, Trust Powers expected to be exercised will primarily be those checked below:

PERSONAL TRUST POWERS

- | | | |
|---|--|---|
| <input type="checkbox"/> Executor and Administrator | <input type="checkbox"/> Guardian | <input type="checkbox"/> Trustee of Land Trust |
| <input type="checkbox"/> Trustee | <input type="checkbox"/> Agent | <input type="checkbox"/> Investment Advisor Agent |
| <input type="checkbox"/> Conservator | <input type="checkbox"/> Investment Management Agent | <input type="checkbox"/> Custodian |
| <input type="checkbox"/> Committee | <input type="checkbox"/> Escrow Agent | <input type="checkbox"/> Other (Specify) |

EMPLOYEE BENEFIT TRUST POWERS

- | | | |
|----------------------------------|--|--|
| <input type="checkbox"/> Trustee | <input type="checkbox"/> Transfer Agent | <input type="checkbox"/> Paying Agent |
| <input type="checkbox"/> Agent | <input type="checkbox"/> Registrar of Stocks and Bonds | <input type="checkbox"/> Other (Specify) |

CORPORATE TRUST POWERS

- | | | |
|----------------------------------|--|--|
| <input type="checkbox"/> Trustee | <input type="checkbox"/> Transfer Agent | <input type="checkbox"/> Paying Agent |
| <input type="checkbox"/> Agent | <input type="checkbox"/> Registrar of Stocks and Bonds | <input type="checkbox"/> Other (Specify) |

Have there been any changes in senior management since last examination? If yes, give full details.

- ☐ Yes ☐ No

The following changes in Board composition, senior officers, and/or controlling shareholders are anticipated:

General Information (continued)

Describe geographic, economic, and population characteristics of the proposed fiduciary trade area.

Describe the anticipated sources and types of new fiduciary business, the community's need for such services and how the proposed trust activities interface with the institution's business goals and objectives.

List financial institutions with trust powers that would compete with the proposed trust department.

Are there any major changes anticipated in bank premises as a result of the proposal? If yes, give details and dollar amounts. ☐ Yes ☐ No

General Information (continued)

Describe the operations structure of the Trust Department, including the type of systems to be used (list all service providers and describe the type of services provided).

Detail the bank's business plan for the Trust Department, including the types of trust products and anticipated fee schedule for the fiduciary services to be offered.

If applicant is a defendant in any suits in law or equity, state full details, including names of plaintiffs, name of court, docket numbers, nature, and amount of claims.

Applicant is expected to develop policies and procedures with respect to trust department matters such as brokerage placement, all investment activities (including review), self-dealing, conduct of personnel, audit, account acceptance, cash balances, overdrafts, etc. If available, submit copies of policies expected to be adopted by the board of directors under separate cover.

Management of the Proposed Trust Department

The following information should be detailed for each trust officer.

Name	Position with Applicant

PRESENT OCCUPATION (Include position, duties and years employed.)

GENERAL EDUCATION (College and postgraduate, name and location of school, degrees, year graduated.)

QUALIFICATIONS IN TRUST OR TRUST RELATED AREAS (Specialized fiduciary or investment training, including name and location of school, type of program, year completed.)

EMPLOYMENT HISTORY (Include employer, position, dates employed for past five years.)

BUSINESS AFFILIATIONS (Indicate director, officer title, or partner.)

Trust Committee

The following information should be detailed for each member of the trust committee.

Name	Position with Applicant

PRESENT OCCUPATION AND EMPLOYER (Include position, duties, and years employed.)

GENERAL EDUCATION (College and postgraduate, name and location of school, degrees, year graduated.)

QUALIFICATIONS IN TRUST OR TRUST RELATED AREAS (Specialized fiduciary or investment training, including name and location of school, type of program, year completed.)

EMPLOYMENT HISTORY (Include employer, position, dates employed for past five years.)

BUSINESS AFFILIATIONS (Indicate director, officer title, or partner.)

Audit Program, Investment Counsel, and Legal Counsel

AUDIT PROGRAM

Describe the audit program to be used for the proposed Trust Department. If an internal auditor is to be used, provide the name, position, number of years with Applicant, training, and experience in both regular and trust auditing. If an outside auditor is to be used, provide the name and location of the firm. For both internal and outside auditors, as applicable, indicate the scope of the proposed trust audit program.

INVESTMENT COUNSEL

Provide the name and address of the firm or individual engaged for investment service. State qualifications to serve in this capacity. If affiliated with any brokerage firm or financial institution, give full details of such affiliation. Indicate cost or estimated cost for service.

LEGAL COUNSEL

Provide the following information:

Individual Attorney

1. Name and business address;
2. Education, including degree, honors, name of school and year graduated;
3. Experience with fiduciary activities;
4. Business and community affiliations; and
5. Estimated cost of services.

Law Firm

1. Name and address of firm;
2. Experience with fiduciary activities; and
3. Estimated cost of services.

Pro Forma Income and Expense

Provide pro forma financial information for the first three full years of trust department operations, or thereafter until profitability is attained. Explain in detail the methodology used to arrive at projections. Comment on the estimated percentage and dollar amount of discretionary accounts by account type.

	Year One	Year Two	Year Three
INCOME			
Fee Income			
Other Income (Specify)			
Total Income			
EXPENSES			
Personnel Costs			
Occupancy Expenses			
Stationery and Supplies			
Legal Fees			
Investment Costs			
EDP Costs			
Other Expenses (Specify)			
Total Expenses			
NET OPERATING INCOME (LOSS)			
CREDIT FOR DEPOSITS (Optional)			
Income Earned From Own-Institution Deposits			
NET PROFIT (LOSS)			

Pro Forma Report of Trust Assets

	Year One		Year Two		Year Three	
Trust Activity by Type of Account	Amount (000)	Accts (#)	Amount (000)	Accts (#)	Amount (000)	Accts (#)
DISCRETIONARY ACCOUNTS						
Personal trusts and estates						
Employee benefit trusts and agencies						
All other agencies						
Total Discretionary Accounts						
NON-DISCRETIONARY ACCOUNTS						
Personal trusts and estates						
Employee benefit trusts and agencies						
All other agencies						
Total Non-Discretionary Accounts						
CORPORATE ACCOUNTS						
Agencies						
Trusts						
COLLECTIVE INVESTMENT FUNDS OPERATED						

Capital or Net Worth Adequacy

In reaching a decision on an application for permission to exercise full trust powers, the Commissioner must be satisfied as to the sufficiency of applicant's capital or net worth.

In narrative form detail why, in Applicant's judgment, Applicant has sufficient net worth or capital to exercise full trust powers. Bank Bulletin No. 25 issued August 31, 1981 and addendum thereto, set forth the factors generally considered by OFIS in conducting an evaluation of a bank's capital adequacy. No Bulletin has been developed for savings banks. However, the principles expressed in the referenced publications would also apply to a savings bank. The Applicant should consider these factors when formulating its response. If Applicant has a capital adequacy/net worth policy, this policy should also be discussed.

Capital accounts as of _____

Approved subordinated notes and/or debentures \$ _____

Dated _____ Rate _____ Due _____

Convertible: ☐ Yes ☐ No

Preferred Stock	\$ _____
Common Stock	\$ _____
Surplus	\$ _____
Undivided Profits	\$ _____
Total Capital Accounts	\$ _____
Loan Loss Reserve	\$ _____
Total Capital Accounts and Reserve	\$ _____
Total Assets	\$ _____

Please detail plans, if any, to increase Applicant's capital prior to the exercise of trust powers.

☐ Yes ☐ No If yes, please explain.

Comment on the anticipated level and retention of applicant's future trust earnings.

Statement of Principles of Trust Department Management

The minimum requirements to provide for sound banking practices in the operation of a trust department and to provide safeguards for the protection of depositors, fiduciary beneficiaries, creditors, stockholders, and the public, should include:

- Involvement by the board of directors in providing for the establishment and continuing operation of a trust department;
- Operation of the trust department separate and apart from every other department of the bank, with trust assets separated from other assets owned by the bank, and the assets of each trust account separated from the assets of every other trust account; and
- Maintenance of separate books and records for the trust department in sufficient detail to properly reflect all trust department activities.

Nothing herein is intended to prohibit the board of directors from acting as the trust committee, or from appointing additional committees and officers to administer the operations of the trust department. When delegating duties to subcommittees and/or officers, the board and the trust committee continue to be responsible for the oversight of all trust activities. Sufficient reporting and monitoring procedures should be established to fulfill this responsibility.

The board of directors, by proper resolution included in its minutes, should:

1. Designate an officer, qualified and competent, to be responsible for and administer the activities of the trust department. In addition, the board should define the officer's duties.
2. Name a trust committee consisting of at least three directors to be responsible for and supervise the activities of the trust department. The committee should include, where possible, one or more directors who are not active officers of the bank.

The trust committee should:

- A. Meet at least quarterly, and more frequently if considered necessary and prudent to fulfill its supervisory responsibilities;
- B. Approve and document the opening of all new trust department accounts; all purchases and sales of, and changes in, trust assets; and the closing of trust accounts;
- C. Provide for a comprehensive review of all new accounts for which the bank has investment responsibility promptly following acceptance;
- D. Provide for a review of each trust department account, including collective investment funds, at least once during each calendar year. The scope, frequency, and level of review (trust committee, subcommittee, or disinterested account officer) should be addressed in appropriate written policies, which give consideration to the department's fiduciary responsibilities, type and size of account, and other relevant factors.

Statement of Principles of Trust Department Management (continued)

Generally, discretionary account reviews should cover both administration of the account and suitability of the account's investments, and nondiscretionary account reviews should address account administration;

- E. Keep comprehensive minutes of meetings held and actions taken; and
 - F. Make periodic reports to the board of its actions.
3. Provide comprehensive written policies which address all important areas of trust department activities.
 4. Provide competent legal counsel to advise trust officers and the trust committee on legal matters pertaining to fiduciary activities.
 5. Provide for adequate internal controls including appropriate controls over trust assets.
 6. Provide for an adequate audit (by internal or external auditors or a combination thereof) of all fiduciary activities, annually. The findings of the audit, including actions taken as result of the audit, should be recorded in its minutes.

If a bank adopts a continuous audit process instead of performing annual audits, audits may be performed, on an activity-by-activity basis, at intervals commensurate with the level of risk associated with that activity. Audit intervals must be supported and reassessed regularly to ensure appropriateness given the current risk and volume of the activity.
 7. Receive reports from the trust committee and record actions taken in its minutes.
 8. Review the examination reports of the trust department by supervisory agencies and record actions taken in its minutes.